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July 23, 1998

To - K. Brown
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Chairman William E. Kennard
Federal Communications Commission
1919 M Street, NW, Room 814
Washington, D.C. 20554

Dear Chairman Kennard:

On behalf of ~~AT&T~~, I want to express our appreciation for the order approving our merger with Teleport. We are aware that a large amount of work went into the Commission's review of this matter. Please express our appreciation to your team.

Sincerely,

No. of Copies rec'd 001
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AT&T Completes TCG Merger; TCG Now Core of AT&T Local Services Network Unit

Merger Speeds AT&T's Progress in Business Local Service Market

For Immediate Release: Thursday, July 23, 1998

NEW YORK -- AT&T today announced that it has completed its much-anticipated merger with Teleport Communications Group (TCG.) Based on AT&T's recent stock price, the all-stock transaction is valued at \$11 billion.

Effective immediately, AT&T is incorporating all TCG's current services into its offers for businesses nationwide. Also, in market tests the two companies began in March, AT&T is offering integrated "any distance" service to businesses here and in Chicago, Houston, Boston, Milwaukee and Fort Lauderdale, Fla.

"Completion of this merger accelerates our entry into the \$21 billion business local service market because we're reducing our dependence on the Bell companies for direct connections to businesses," said AT&T Chairman C. Michael Armstrong. This merger is a significant step in AT&T's efforts to bring competition to the local services marketplace. "We're giving customers simplicity, convenience and choice. It's one-stop shopping for local and long-distance services, just for starters," he said.

INTEGRATED SERVICES FOR BUSINESSES

TCG's services enhance AT&T's ability to provide integrated end-to-end services for large and small business customers. AT&T will offer single points of contact for local and long-distance services and customer care, enterprise solutions for businesses with multiple locations, volume discounts across services and an integrated bill for customers who want it. The company plans to roll out offers in 34 more markets this year; by early next year, AT&T plans to integrate local service into its business offers throughout 66 of TCG's markets.

The company said it will expand market trials and develop them into customer offers once the provisioning and servicing infrastructure has been thoroughly tested and provides the quality of service that customers expect from AT&T.

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TCG's network infrastructure also helps the company add toll-free calling capabilities to AT&T Digital Link, a local service for businesses with dedicated digital connections to the AT&T network. Introduced as an outbound local service in 49 states last year, the service now also lets customers in California, Texas, New York, New Jersey, Florida, Georgia and Connecticut receive incoming calls using their existing phone numbers. AT&T plans to add inbound local calling in five more states this year and more in 1999.

The company said it also plans to move aggressively to add Internet access and wireless service to its end-to-end offer. The merger, combining AT&T's Internet Protocol (IP) business with CERFNet, TCG's Internet unit, makes AT&T one of the top 10 Internet service providers for businesses. AT&T plans to offer businesses a full range of Internet solutions through an expanded line of services over an even more powerful, higher-speed IP backbone network. (Note to editors: See sidebar.)

"TCG has more fiber route miles and serves more businesses in more cities than any other competitive local services company," Armstrong said. "The strategic value of this merger, combined with other initiatives we are undertaking -- including our planned merger with TCI -- positions AT&T for growth and undisputed leadership in three of the fastest growing segments of the communications services industry -- consumer, business and wholesale networking services."

TCG, with more than 10,000 miles of fiber optic cable and 50 local switches, is the nation's premier provider of competitive communications services. Its network encompasses more than 300 communities from coast to coast. Armstrong said AT&T also pledges to devote substantial resources to continue the building of facilities in critical markets. AT&T and TCG expect to add 10 to 12 markets a year, he said.

Robert Annunziata, the chairman and CEO of TCG, who founded the company in 1983, reflecting on TCG's role as a communications industry catalyst, said, "Once again TCG finds itself in a position to accelerate further transformation of our industry, by merging with AT&T. I believe the marriage of these two companies will bring competitive prices, star quality and superior service to the broadest business market in the shortest possible time."

TCG becomes AT&T's local services network group; Annunziata will be an executive vice president of AT&T and lead the new unit. TCG's salesforce is beginning now to integrate with AT&T's business markets salesforce.

SPECIFICS OF THE DEAL

The merger will be accomplished through a tax-free exchange of stock to holders of TCG shares, who will receive .943 of an AT&T share for each share of TCG stock. The total number of AT&T shares will be rounded down to the nearest whole number; however, TCG shareholders will receive a cash payment for any remaining fraction. Cash payments will be recognized for federal income tax purposes. AT&T will issue about 188 million shares to complete the merger.

AT&T reaffirmed its earnings-per-share targets for 1998 of between \$3.35 and \$3.45, including slight dilution from the TCG deal, which the company previously estimated at \$.30 per share for issuing additional shares and for one-time, merger-related expenses. It also reconfirmed that it expects the merger to begin contributing to positive earnings in 1999.

The deal was finalized today with the filing of a certificate for merger with the office of the Delaware Secretary of State. The final hurdle of the merger was passed today, when the Federal Communications Commission approved a transfer of federal licenses held by TCG to AT&T.

All necessary approvals for the merger have been obtained from the U.S. Department of Justice, state regulators and TCG shareowners. The boards of the two companies approved the merger when it was proposed in January 1998.

COMPANY OVERVIEWS

TCG had 1997 revenues of \$494 million, assets of \$2.456 billion and long-term debt of \$1.054 billion, as of March 30, 1998.

AT&T had 1997 revenues from continuing operations of \$51.3 billion. As of June 30, 1998, AT&T had assets of \$57.4 billion and long-term debt of \$6.0 billion. AT&T is the world's premier voice and data communications company, serving more than 80 million customers. It runs the world's largest, most powerful long distance network and the largest wireless network in North America. Its world headquarters is here. The company has about 3.5 million shareowners and 119,000 employees.

Business customers interested in AT&T local service or one of the new integrated service bundles should call AT&T at 1-888-234-0449 for more information or visit the company's website at www.att.com/local.

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MERGER EXPANDS AT&T BUSINESS INTERNET SERVICES AND ENHANCES AT&T INTERNET PROTOCOL BACKBONE

The conclusion of the AT&T/TCG merger means that business Internet customers can look for new services and enhancements to AT&T's Internet backbone as a result of the combination of AT&T's Networked Commerce Services and TCG's Internet Service division, TCG CERFnet.

"By leveraging the strengths of these two industry leaders, we can offer businesses a full range of Internet solutions over a powerful IP backbone," said Kathleen Earley, vice president of AT&T's Networked Commerce Services. "We've wasted no time in assembling forces. Our sales teams are already bundling services from both companies to provide businesses with end-to-end solutions, pursuant to contractual arrangements."

AT&T's new IP-based services include Dedicated Web Hosting Service, which is available as a customizable solution or prepackaged on a server, and metered T1 and T3 Managed Internet Services, which deliver "as needed" bandwidth for a cost-effective alternative to leasing dedicated T1 or T3 lines.

With the close of the merger, AT&T will quickly integrate its network with CERFnet's. By the first quarter of next year, the backbone of the combined networks are planned to be upgraded from OC3 (Optical Carrier3) links that transmit data at speeds up to 155 megabits per second to OC12 connections at 622 Mbps. "These upgrades will quadruple our traffic-handling capabilities and further enhance AT&T as a premier business Internet service provider," Earley added.

"Access to AT&T's global network extends the facilities-based approach to providing reliable robust Internet services that CERFnet embarked on two years ago," said Pushpendra Mohta, CERFnet vice president. "With the network assets of TCG and AT&T Corp., customers can look forward to a full suite of exciting new services."

Dedicated Web Hosting Service

Available immediately, the new Dedicated Web Hosting Service helps round out AT&T's line of Web-hosting offerings that includes AT&T Easy World Wide Web® Service and AT&T Enhanced Web Development Package. These shared hosting services were launched in 1995 and today host more than 9,000 Web sites.

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Businesses will be able to combine AT&T Dedicated Web Hosting Service with AT&T SecureBuySM transaction services and AT&T interactiveAnswersSM "click to call" services to create complete electronic commerce applications. These efforts allow merchants to give their customers a choice in how they complete sales transactions, either by speaking to a customer service agent or by making purchases via a secure, Web-based transaction service.

Additionally, businesses can quickly build intranet and extranet applications by combining Dedicated Hosting Service with AT&T Internet access services, such as WorldNet Business Dial. AT&T's fully managed Dedicated Web Hosting Service includes:

- one or more dedicated UNIX or Windows NT servers
- multiple carrier-grade U.S. data centers with fully redundant network and power, spare parts and 24-hour monitoring and maintenance
- one-hop, high-speed connections to multiple network access points on an OC3/OC12 backbone network with private peering with many other U.S. T1 providers

Burstable T1 and T3 Managed Internet Services

For companies that don't require full-time high-speed Internet connectivity, AT&T is offering Burstable T1 and T3 Managed Internet Services. These services provide businesses with the flexibility to burst up to the full capacity of the transmission facility when additional bandwidth is needed. Features include:

- a metered price plan that ensures customers pay for sustained bandwidth usage only, rather than the full line rate
- flexibility to accommodate the temporary bandwidth requirements for higher performance applications

"As AT&T continues to double its IP network capacity every three months, this merger will add more resources even faster," said Earley. "We're already working closely with TCG and CERFnet to support multiple grades of service, eliminate excessive router hops, and achieve Quality of Service assurances for real-time and bursty-data services and routing/signaling protocols."

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